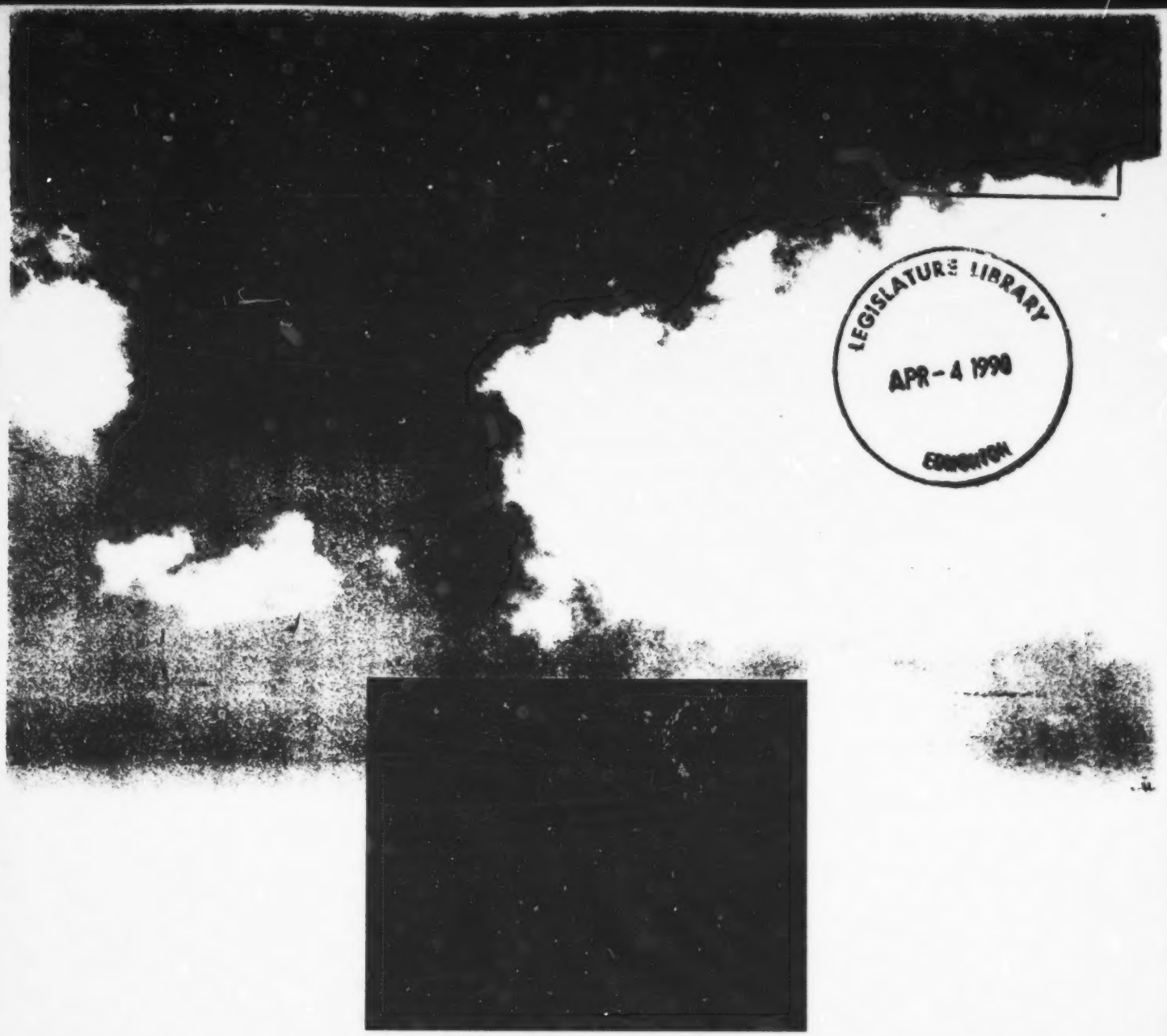
ALBERTA OPPORTUNITY COMPANY



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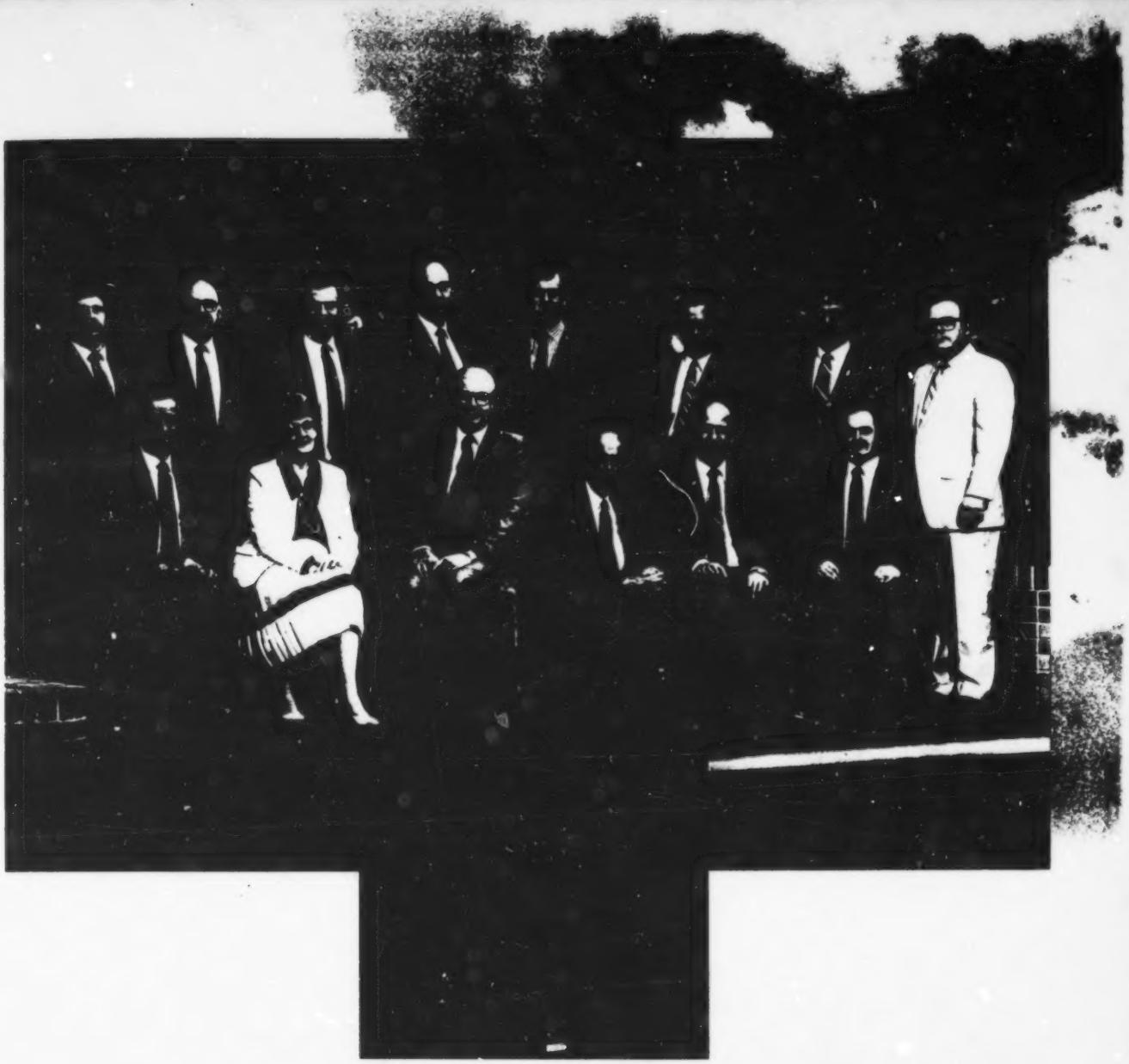
"Wherever you see a successful business," wrote management guru Peter Drucker, "someone once made a courageous decision."

Every year, thousands of Albertans start a new enterprise. In most cases, they put everything they have on the line — knowing that even if everything goes well, it will probably be months or years before the new enterprise turns a profit. The marketplace rarely permits easy success or quick riches.

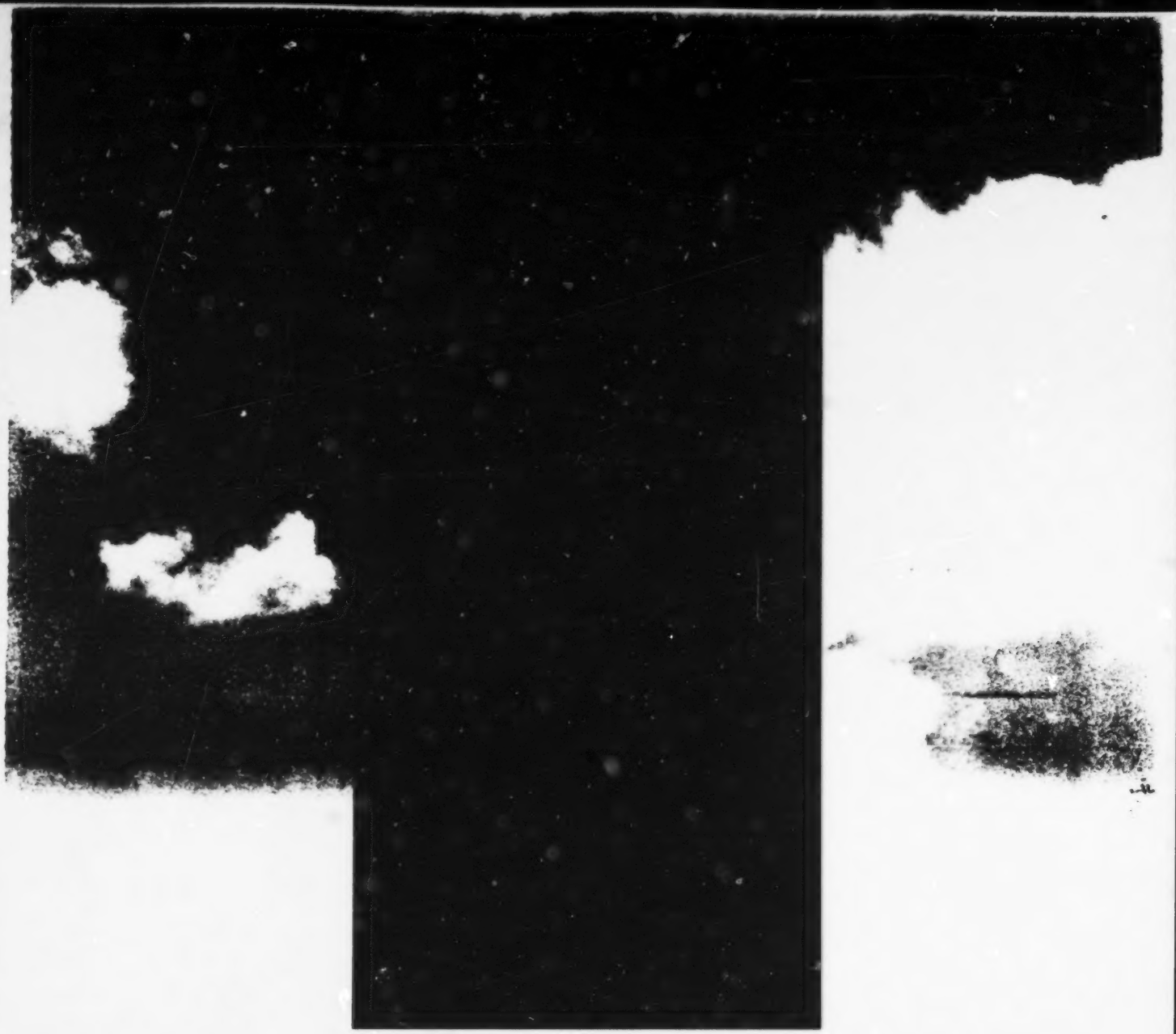
Why do they risk all? Wealth? Certainly that's not the whole story. Surveys show it is dreams of personal accomplishment that motivate the great majority of successful entrepreneurs to take the risks they do. In testing the limits of their own abilities, they create new enterprises that result in new opportunities for all of us.

Alberta Opportunity Company is proud of its role in helping so many of these courageous Albertans.



Back row (left to right):
***James L. Smith** – Olds, **Ron H. Blake** – Edmonton, **Jack C. Donald** – Red Deer, **Rollie R. Johnson** – High Prairie, **Robert D. Matheson** – Calgary, **Nels S. Nelson** – Grimshaw, **Wayne R. Watts** – Wainwright, **David A. Heaton** – Edmonton.*

Front row (left to right):
***Walter Holowack** – Grande Cache, **Betty Park** – Medicine Hat, **Roy Parker,** President & Managing Director – Ponoka, **W. Paul Lefaivre,** Chairman – Edmonton, **Gordon V. Greenwood** – Edmonton, **A. Wayne Taylor** – Fort McMurray.*



Alberta Opportunity Fund Act

"There is hereby established a fund under the name of the Alberta Opportunity Fund, the total amount of which shall not exceed $300,000,000 and which shall be held and administered by the Company with the object of promoting the development of resources and the general growth and diversification of the economy of Alberta. The Board has direction and control over the conduct and affairs of the Company."

Alberta Opportunity Company

reports to the legislature through:

The Minister of
Economic Development and Trade.

Peter Elzinga

The Honourable,
Peter Elzinga.

Heritage Fund

Roy W. Parker, President and Managing Director and W. Paul Lefaivre, Chairman.

In keeping with its mandate and the spirit of development that it has maintained in the 16 years since its inception, Alberta Opportunity Company, working closely with the province's business community, continued to encourage and support Alberta's entrepreneurial spirit during Fiscal 1989. During the past year, AOC continued to expand its role, providing financial and management assistance to all geographic areas and sectors of the economy. In our view, the provincial economy remains strong, with growth and diversification a major element in this positive environment.

As you will see elsewhere in this report, activity in our lending division, while marginally down from the previous year's results, remained strong. One among many entrepreneurs in the province who undertook business expansion in 1988-89 with AOC's assistance was Edwin Strang. His company, AltaPro Golf Inc., expanded its golf club manufacturing operations to include three entirely new lines of clubs.

In addition to financing business expansions, AOC also plays a leading role in the startup of new businesses, changes of ownership and, on occasion, the refinancing of viable businesses.

AOC's student loan program again provided significant support to the next generation of Alberta entrepreneurs by providing funding for student businesses. These loans not only provide employment for students, but also assist them in financing their further education. As well, this program provides excellent experience in entrepreneurship, teaching many of our young people the business world's facts of life. During 1988-89, the student loan program provided 40 young people with funding of $107,300 to start 40 small businesses employing 224 students. Among this year's successful young entrepreneurs was Scott Boyer who, with eight employees, operated a College Pro Painter franchise which grossed some $60,000 during the summer of 1988.

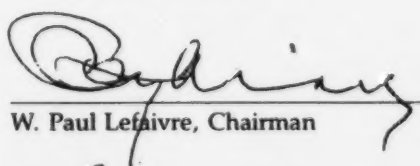
AOC's Venture Capital Division maintained the high level of activity which it enjoyed the previous year, continuing to provide equity funding to businesses in Alberta involved in leading-edge technology. Now entering its third year of activity, this new division has become a leader in providing venture capital to Alberta businesses requiring such assistance at an early stage. During Fiscal 1989, AOC undertook 28 investments totalling approximately $23 million. Among the companies receiving such assistance was Novatex Manufacturing Canada Ltd. of Calgary which produces and sells woven fibre products to the U.S. and Canadian markets. AOC's equity funding allowed the company to expand its manufacturing facility in Calgary to take on significant new market opportunities.

The Consulting Service Division operated at capacity throughout the year. Management assistance in almost all areas, from merchandising to product costing, including building construction and financial management, are provided to AOC borrowers. This year's satisfied clients include Perola Party Products Inc. of Medicine Hat who received assistance in having their accounting/recordkeeping installed onto a computer system.

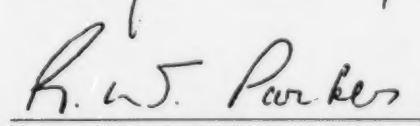
A highlight of the year for AOC was its 1988 Entrepreneurs' Conference held in Edmonton in September of 1988. The seminar provided advice and guidance to potential entrepreneurs interested in establishing a business and to those already in business and seeking an upgrading of their skills and insights into running a business. Featuring leading professionals and successful, established business men and women as speakers, the conference sold out, attracting over 430 attendees. AOC's Board of Directors has decided to continue the program, and we will be conducting seven seminars in various locations across the province during the next two years.

The Board of Directors, management and staff of AOC continue to look for new ways to assist entrepreneurs in the province and to help in the growth and diversification of our economy. Alberta enjoys a high proportion of entrepreneurs whose hard work, vision and dedication to excellence have played a major role in the strengthening of the Alberta economy in recent years. This progress has helped ensure that Alberta remains an excellent place to live, work and succeed.

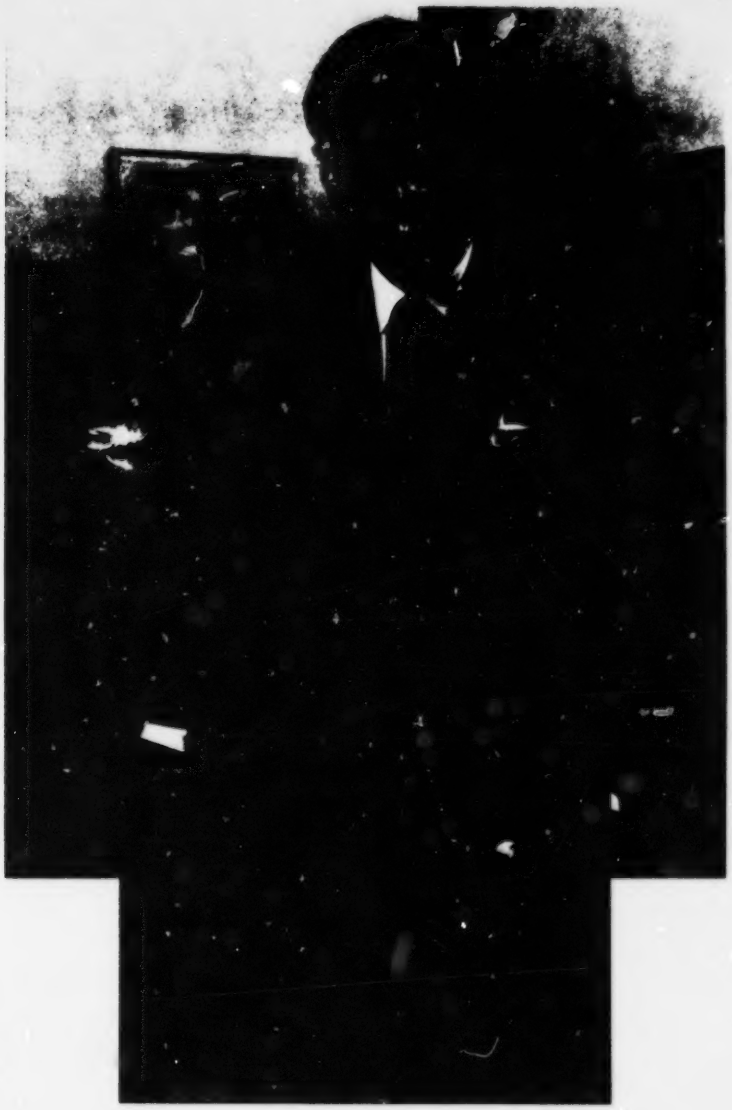
For the Board of Directors:



W. Paul Lefaivre, Chairman



Roy W. Parker, President and Managing Director



Over the past decade, there's been an entrepreneurial revolution in Canada. The million plus new businesses started since 1980 have accounted for virtually all new jobs created. Canadians today launch new businesses at twice the per capita rate of Americans, and Albertans are no exception.

Balan Mathews heads up AOC's rapidly growing entrepreneurial education program.

The Entrepreneurial Trap: good ideas, poor skills.

Today's budding entrepreneur is younger and better educated than his or, more likely today, *her* counterpart of ten years ago. As always, the new entrepreneur is optimistic. Sadly, this confidence — so vital to the entrepreneur — is often in vain. About half of all new businesses close up shop within just three years. The primary reason in nearly all cases: poor management.

"Many would-be entrepreneurs have good ideas and work very hard to get their business going — unfortunately, they just don't know the basics of running a business," says AOC's President, Roy Parker.

"Our consultants help AOC clients with these basics — we know it can make a huge difference — but that still leaves thousands out there who make big sacrifices to get businesses started and then run into major problems they just didn't anticipate or know how to handle."

Entrepreneurial Education: a new AOC program.

Two years ago, AOC started a new outreach educational program to help Albertans starting or running small businesses. AOC's first Entrepreneurs' conference in Calgary in May, 1987, attracted 150 participants. A year later, another conference held in Edmonton quickly sold out with over 430 participants.

The 1989 Entrepreneurs' Conference, in Calgary, September 29 - October 1, will be the most ambitious yet — over 55 speakers will address 630 participants in 40 seminars.

First Class Speakers: full house response.

"The success of these conferences," according to AOC's Conference Director Balan Mathews, "has been a direct result of getting Alberta's leading entrepreneurs as speakers — they have given participants first-hand insights into both the potential and the perils of managing a business."

While business management theory courses are available at Alberta's colleges and universities, Mathews maintains that what many entrepreneurs need most is hands-on, practical information they can use immediately.

Success Breeds Success: a down-to-earth approach.

Feedback received by AOC after each conference attests to the value of a down-to-earth approach.

"Some past participants have even credited our conferences with saving their enterprises," says Mathews.

The program's success is also attributable to its relatively low cost. Many of Alberta's most highly regarded accounting and law firms have joined AOC in presenting the conferences and their enthusiastic and valuable support has made possible the modest fee required from participants.

"Our mandate is to foster entrepreneurship," says Parker, "and our education program has turned out to be an effective means of encouraging more Albertans to take the plunge into business — without then drowning in a sea of red ink."

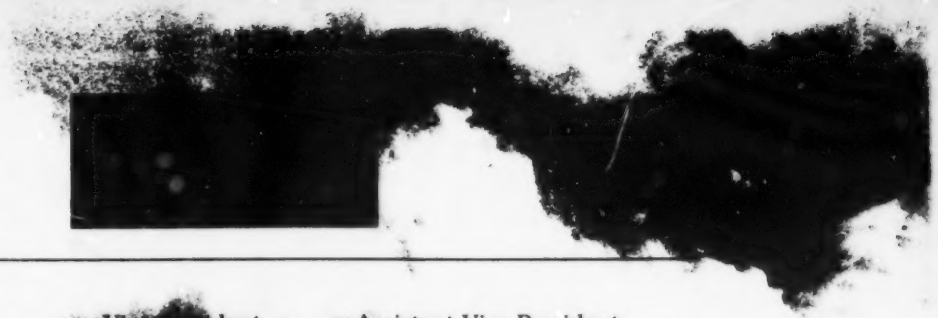
The Future: an expanded program.

AOC is expanding its entrepreneurial education program rapidly over the next two years. Seminars will be held in Alberta's smaller cities in the future, and educational programs directed at experienced Alberta business owners are also being developed.

"Moving successfully from a small to a mid-sized or larger enterprise is a tough hurdle in business," says Mathews.

Also scheduled are seminars specifically for women starting businesses. Says Mathews, "more enterprises are now being launched by women than by men."

By 1991, AOC's growing education program should reach out and directly help over 3,000 people annually — keeping the entrepreneurial spirit alive and well in Alberta.



President &
Managing Director
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Vice President,
[illegible]rvices
D[illegible]

Assistant Vice President,
Lending
J. Wayne Blair

Vice Presid[illegible]
Lending
J.P. Ander[illegible]

[illegible]nt Vice President,
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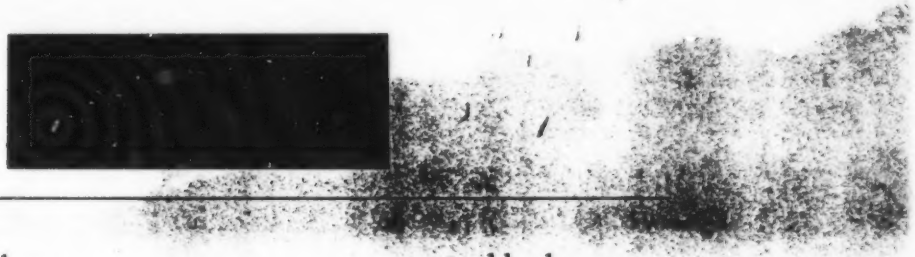


Ponoka
5110 - 49 Avenue
P.O. Box 1860 T0C 2H0
Telephone (403) 783-7011
Manager: H.J.C. Boyd

Edmonton
1275 Weber Centre
5555 Calgary Trail T6H 5P9
Telephone (403) 427-2140
Manager: A.M. Foulston

Grande Prairie
#304 Richmond Square Building
9804 - 100 Avenue T8V 0T8
Telephone (403) 538-5220
Manager: K.B. Sutherland

Peace River
9811 - 98 Avenue T0H 2X0
Telephone (403) 624-6387
Manager: H.M. Caveny

St. Paul
Suite 200, 4341 - 50 Avenue
P.O. Box 1990 T0A 3A0
Telephone (403) 645-6356
Manager: Armand Tessier

Edson
4924 - 1st Avenue
P.O. Box 2940 T0E 0P0
Telephone (403) 723-6260
Resident Commercial Credit Officer:
Allan Kuechle

Red Deer
#401 Parkland Square Building
4901 - 48 Street T4N 6M4
Telephone (403) 340-5551
Manager: D.C. Niemetz

Lloydminster
5019 - 50 Street T9V 0L9
Telephone (403) 871-6490
Manager: G.D. Noe

Calgary
Suite 790, 10655 South Port Road, S.W.
T2W 4Y1
Telephone (403) 297-6437
Manager: J.D. Ablett

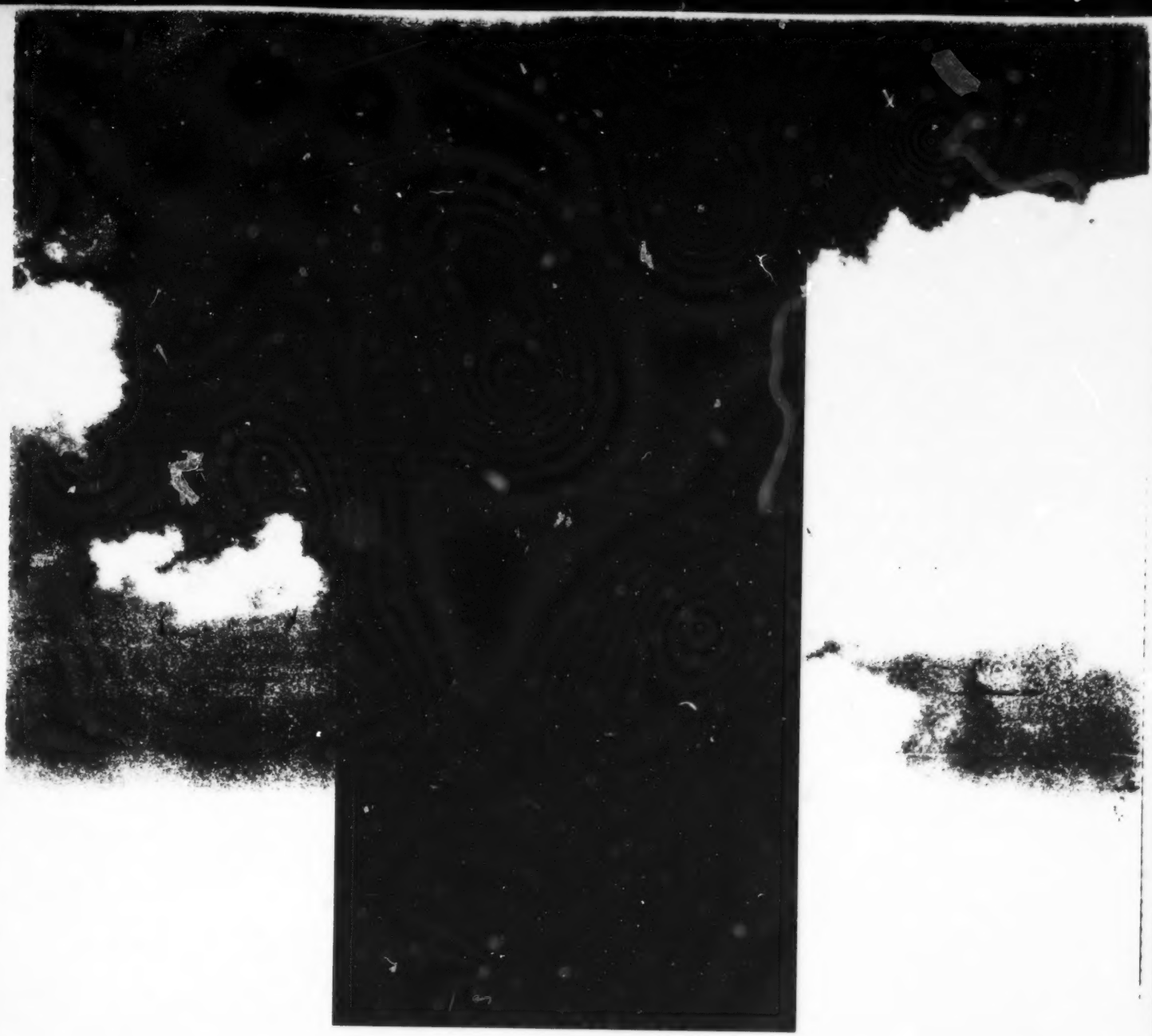
Lethbridge
Suite 201, 714 - 5 Avenue South
T1J 0V1
Telephone (403) 381-5474
Manager: R.A. Fredrickson

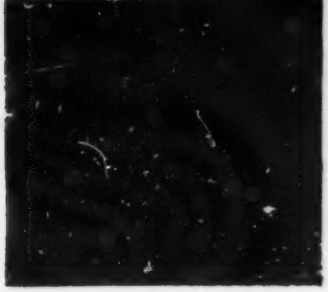
Medicine Hat
Suite 202, Royal Bank Building
578 - 3rd Street S.E. T1A 0H3
Telephone (403) 529-3594
Manager: J.R. Douglas

Brooks
Brooks School District Office
408 - 1 Street West
P.O. Box 307 T0J 0J0
Telephone (403) 362-1270
Resident Commercial Credit Officer:
G.J. Pollock

Venture Funding Division
1405 Canada Trust Tower
10104 - 103 Avenue
Edmonton T5J 0H8

Seed Funding Division
1275 Weber Centre
5555 Calgary Trail
Edmonton T6H 5P9



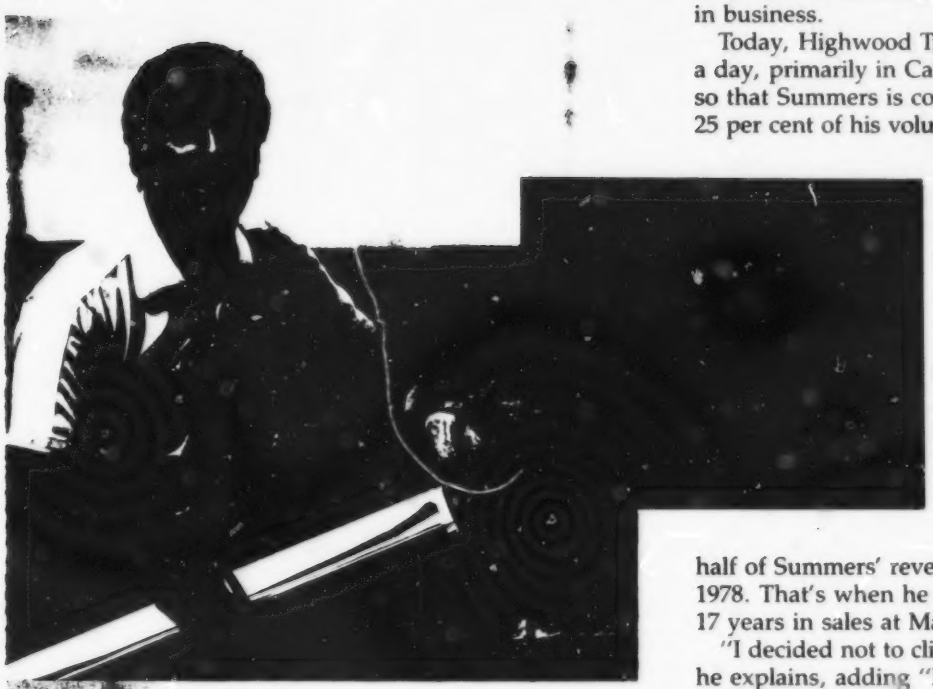


"We had to diversify and the truss business was a real saviour" ....AOC provided financing ...and Summers says this has kept him in business.

Four years ago Ken Summers found himself "behind the eight ball" — his Kenmar Building Centre lost money in 1984 because of the economic downturn. Then a nearby truss company closed down its operation and Summers got "a heck of a deal" on the purchase of the company's equipment for cutting and assembling roof trusses.

Now, business is booming — Summers said he had to diversify and getting into the truss business was "a real saviour." AOC provided financing for his new venture in 1985 and Summers says this has kept him in business.

Today, Highwood Truss supplies two to three houses a day, primarily in Calgary. Demand is high, so much so that Summers is contracting out the production of 25 per cent of his volume. Having learned the hard way about Alberta's economic cycles, Summers says he intends to "take it cool" and keep farming the work out rather than expanding too soon.



In 1988 Kenmar and Highwood Truss had a combined gross income of $3 million, employing a total of 17 people. The Kenmar Building Centre competes with two national chain outlets and that, says Summers, means "a real fight" for every customer.

Kenmar, which accounts for half of Summers' revenue, has been operating since 1978. That's when he struck out on his own after 17 years in sales at MacMillan Bloedel.

"I decided not to climb the corporate ladder anymore" he explains, adding "I'd had enough of it — I had to put up or shut up."

Before getting going, however, Summers ran into unexpected trouble. He and his partner left MacMillan Bloedel together with plans to start the building centre, but, two days after they quit their jobs, the other man backed out.

"There I was, hung with the business" Summers says. He proceeded anyway and "lucked into a boom stage for High River."

When the business began in May of 1978, it was operating from leased premises. Sales grew quickly and in September of 1979, an AOC loan helped Summers to purchase new facilities for the building centre. Summers, who learned from the rocky times he saw in the mid-eighties, says the key to success is to "give good quality service and avoid mistakes."

In 1982, "out of sheer desperation, Oilco went to the mining industry." The move has worked. Mines in British Columbia account now for fully half of the Nisku company's customers.

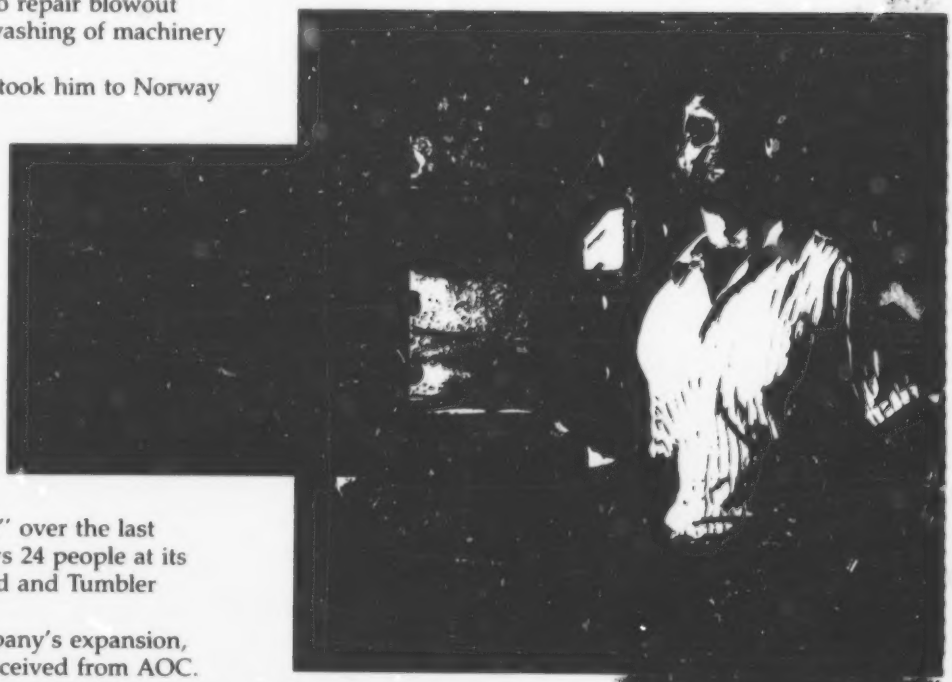
A former roughneck's idea to improve worksite efficiency has made a Nisku oil, gas and mining service company a force to be reckoned with.

In 1980, Dave Cannings created Oilco Services and Supply Ltd. to use the hydraulic oil cleaning device he had invented. Cannings explains that he "had an idea and just whittled away at it. I leased a one ton truck and went to work on a shoestring."

The device he created is a sophisticated filtering system that removes dirt and water from hydraulic oil allowing it to be used again. This service is now one of three offered by Oilco. They also repair blowout preventers and do high pressure washing of machinery at work sites.

Cannings' work as a roughneck took him to Norway in 1973. On his return to Alberta, he studied Business Administration at NAIT at night and worked as a sales representative for a machine shop before starting his business.

In 1982, when recession hit the oil patch, Cannings says "out of sheer desperation, Oilco went to the mining industry." The move has worked. Mines in British Columbia now account for fully half of the company's customers.



According to Cannings, his firm has seen "tremendous growth" over the last three years. Oilco currently employs 24 people at its Nisku base and its offices in Elkford and Tumbler Ridge, B.C.

Mr. Cannings attributes his company's expansion, in large part, to the loans he has received from AOC. He notes specifically that when he was looking at expanding into the blow-out prevention business in 1985, "they (AOC) took it on" and provided the needed backing.

In 1987, an AOC loan helped Cannings with the purchase of equipment for Oilco's pressure washing service.

The inventiveness, flexibility and aggressiveness shown by Cannings and Oilco has allowed them to survive and prosper in tumultuous times. The company that started with an idea and a pick-up truck is expected to gross $1.1 million this year.

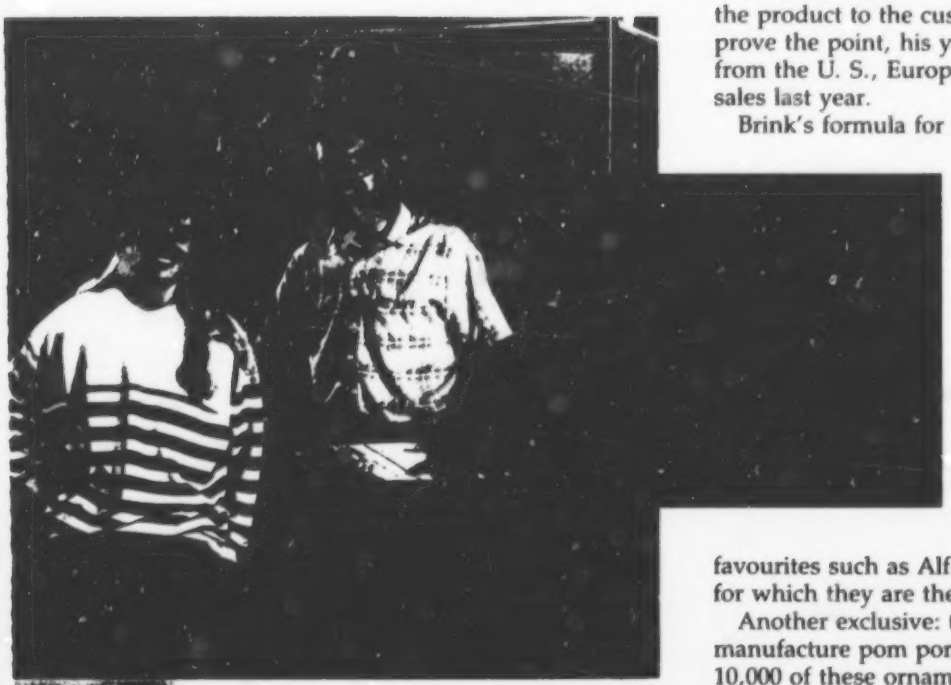
"Our company would never have been able to grow the way it has without our new building," says Medicine Hat entrepreneur Rick Brink.

Perola Party Goods got its first AOC loan four years ago shortly after its inception — to finance an increase in its inventory.

The Medicine Hat enterprise soon turned again to AOC, this time for a loan to finance a new manufacturing and warehouse facility.

Result: in four short years, Rick Brink's flourishing Perola Party Goods has made Medicine Hat a North American centre for production and distribution of a myriad of party products.

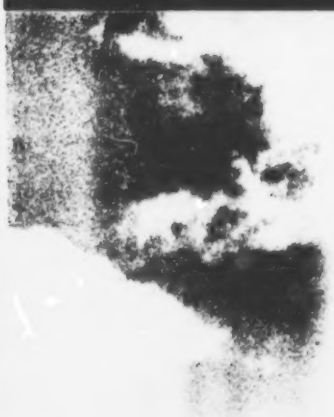
"Location doesn't really matter as long as you can get the product to the customer," says Brink. As if to prove the point, his young company, which imports from the U. S., Europe and Asia, doubled its gross sales last year.



Brink's formula for success in business has always involved a lot of travel. The 30-year old graduate of the Southern Alberta Institute of Technology met some people in the wedding products business while playing as a centre in the Danish elite hockey league during the early 1980s. He returned to Alberta with a briefcase full of samples and went to work, visiting about 200 stores in Alberta and British Columbia.

Today, the company's line-up of novelties includes children's favourites such as Alf and Nintendo paper products for which they are the exclusive Canadian distributors.

Another exclusive: the machine Brink invented to manufacture pom poms for wedding cars. It churns out 10,000 of these ornaments a day — manually, the company could make only 200 a day. Perola distributes its pom poms across Canada and has sold U.S. distribution rights to a Florida firm.



Perola Party Goods has come a long way since it started in Brink's briefcase; today ten of its twenty employees are sales representatives working throughout Canada.

Brink's motivation for starting the company?

"I was trying to think of things I could start up on my own. I wanted to be in business and to do it when I was young and didn't have much to lose."

From the looks of his business, the party's far from over.

"There were times I wondered what . . . I'd done," Harding says of leaving academia for the business world. Now it's pretty clear what Harding and his 23 Edmonton employees have done: put their high tech know-how to work around the world.

Taking risks and backing them up with technical knowledge has paid off for Edmonton's Harding Instruments.

The Alberta business develops and manufactures a diverse array of commercially applicable micro-electronic equipment for the energy and communication industries.

The company applies similar technology in a variety of equipment. Company founder Pat Harding says the technology is "almost generic. . . it doesn't matter whether it's a heart monitor or an oilfield product" being manufactured.

Harding develops micro-electronic products, or manufactures under contract to original equipment manufacturers. The oil and gas sector accounts for half of the firm's business, with the other half coming from components for medical equipment, telephone accessories, and communications equipment.

Buying the marketing rights on three instruments that monitor oil and gas flow has made Los Angeles based *ITT-Barton* Harding's biggest customer. Harding is particularly pleased because one of the products, a rugged computer that does flow calculations in real time, was developed on speculation.

The diversity that is the hallmark of the company's success today wasn't always there. Harding says the company suffered from being "too comfortable and not having an appreciation of proper marketing techniques" in earlier years.

In 1984, he drafted a three year business plan that emphasized diversification, then packed in a 17-year career as an Electrical Engineering Professor at the University of Alberta to devote full attention to the company. He says the move from academia to the business world has "been a great learning experience."

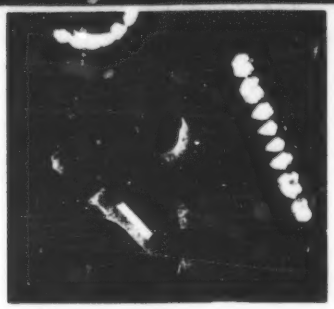
"There were times I wondered what...I'd done."

Harding Instruments clients, so far, are centered in Alberta, British Columbia, and the western states.

In the Spring of 1988, the 23-employee company embarked on Phase Two of its ambitious business plan with help from AOC's Venture Capital Division.

This venture capital funding enabled the company to research and develop its markets on an international level.

Today, Harding Instruments is negotiating a major deal to sell distribution rights for some of its oil and gas products to a firm working in the Soviet Union.



"I enjoy being my own boss," says Mary Slaght. "My clients stop by for a short visit," and the Lac La Biche denture clinic owner finds it a "very personable type business."

It was her husband's transfer and promotion that moved Mary Slaght to Lac La Biche — and into the world of independent business.

To become a denture manufacturer, Mary Slaght completed a two-year program at the Northern Alberta Institute of Technology and a two-year practicum in Edmonton. She received her license in 1973.

"I've always enjoyed making things" Slaght says, explaining that dentures require meticulous work going through seven phases of fitting and production.

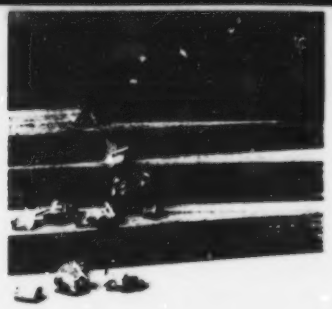
"It's very precise — even half a millimetre can throw the whole thing out of whack."

In 1978, she left her job of seven years at Edmonton's A and B Denture to strike out on her own and establish the only independent denture manufacturing clinic in the Lac La Biche area.

Today, Lac La Biche Denture Clinic Ltd. is thriving, serving customers from hundreds of kilometres away and showing increased sales each year.

The company's proprietor couldn't be happier. "I enjoy being my own boss and setting my own hours," Slaght explains.

"My clients stop by for a short visit. It's a very personable type business." Eventually, the initial cramped leased premises had to be replaced. In 1983, a loan from AOC financed the purchase of land and construction of a new building which allowed room for an expanded clinic and one other tenant. Starting this business has been a positive experience for Mary Slaght — she's doing work she enjoys, providing a needed service to a small community and loving her life as an independent business person.



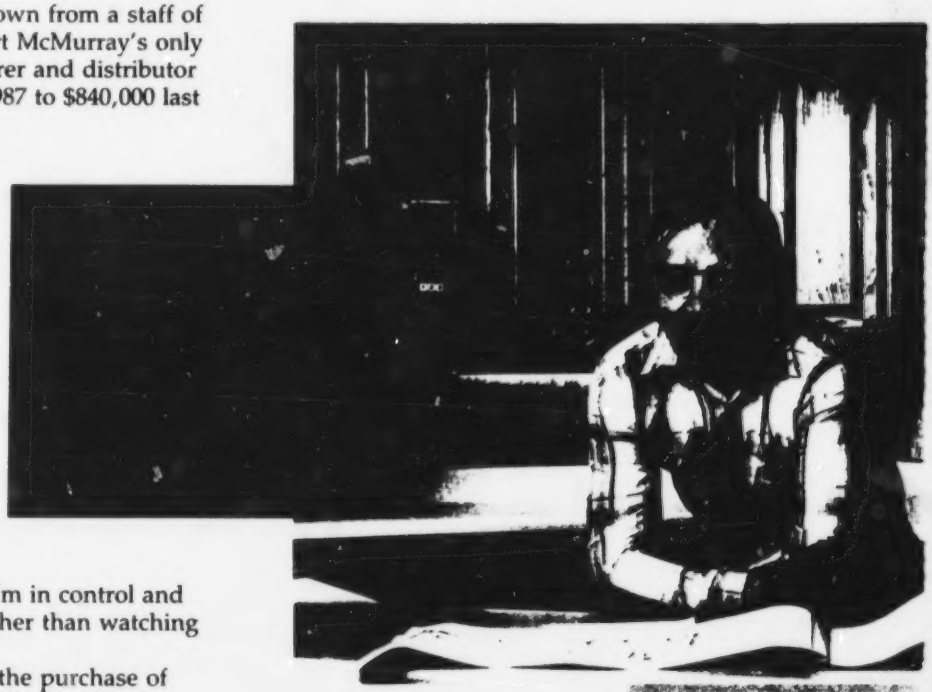
"I'm beginning to feel like I'm in control and that I can make things happen, rather than watching them happen." It's a good feeling for the Fort McMurray entrepreneur who's looking toward his first million dollar year.

Matt-N-Al Woodworking, Fort McMurray's largest custom kitchen cabinet maker, was on the verge of being closed in 1986. Wes Geddert, who had been working as foreman, had the opportunity to buy out his former employer.

With the economy of Fort McMurray reeling at the time, getting financing to buy out his employer wasn't easy.

"Banks didn't want to take the plunge, but AOC did," Geddert recalls.

Since then, the company has grown from a staff of four to ten, and gross sales for Fort McMurray's only custom kitchen cabinet manufacturer and distributor have increased from $540,000 in 1987 to $840,000 last year.



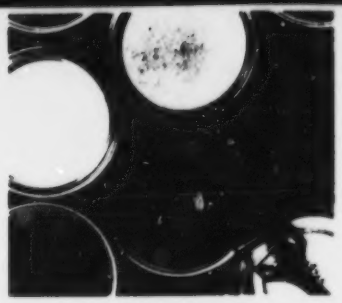
Geddert says "the key is good employees . . . enjoying their work. That's the key to good quality and good productivity." He feels that quality is what gets and maintains customers for his business.

AOC provided more than financial help to the new business owner. Geddert says he benefitted greatly from the consultants AOC sent in to analyze and evaluate what the company was doing and suggest improvements.

"Now," he says after three years, "I'm beginning to feel like I'm in control and that I can make things happen, rather than watching them happen."

The next step for Matt-N-Al's is the purchase of computerized drafting equipment to speed up the design process and for use as a marketing tool. The equipment will let him show customers three dimensional drawings of what their kitchens will look like. In addition, Geddert plans to continually update his product selection while keeping his focus on doing the kitchen business well, rather than attempting to branch out into other areas.

With the help of his staff, Geddert expects his gross sales will pass the $ 1 million mark this year.



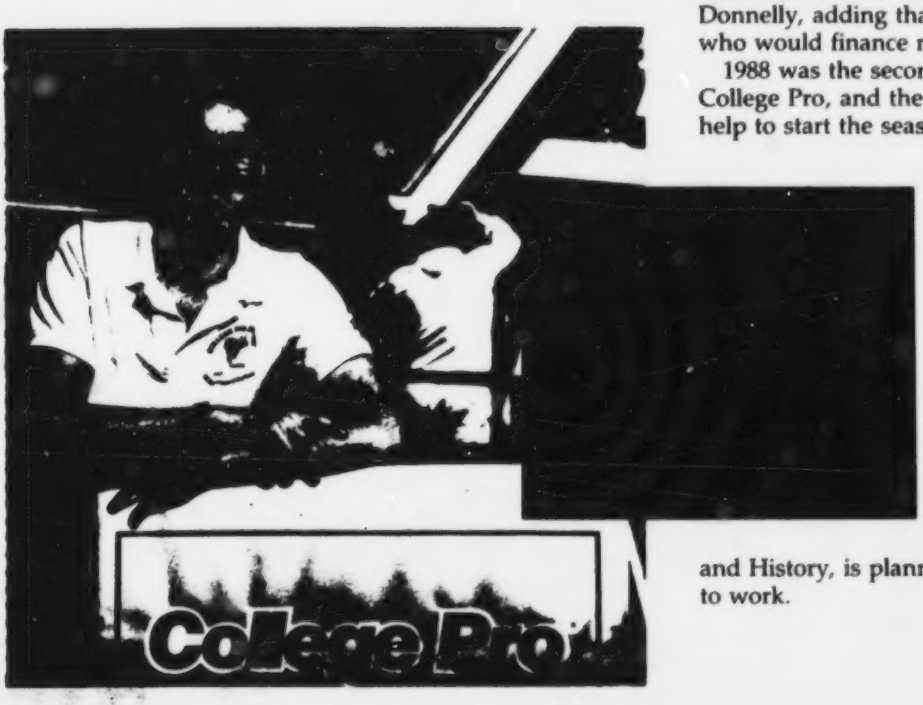
"I didn't have a credit record — AOC gave me the full loan and I turned it into a $100,000 business." Edmonton student entrepreneur David Donnelly also reaped a rewarding business education in the process.

An AOC loan to a 20-year old University of Alberta student helped him create summer jobs for students and gave him practical training for the business world.

As a franchise holder with College Pro Painters Ltd., David Donnelly, now 23, needed capital to get going during his first summer with College Pro.

AOC solved his problem.

"I didn't have a credit record; AOC gave me the full loan and I turned it into a $100,000 business" says Donnelly, adding that AOC were "the only people who would finance me without a co-signer."



1988 was the second summer Donnelly worked with College Pro, and the second time he turned to AOC for help to start the season. As the Edmonton Southside Manager, he employed ten students, earning an average of $7.00/hour. Last summer his franchise grossed $104,000.

In addition to helping finance his education, Donnelly says the enterprise has taught him "the generic 'to do's' of private business . . . . good business acumen, business confidence, communication skills and trouble shooting."

Donnelly, who has just graduated from university with an Arts degree in English and History, is planning to put what he has learned to work.

ALBERTA OPPORTUNITY COMPANY

LOANS, GUARANTEES & VENTURE INVESTMENTS

AUTHORIZATIONS TO MARCH 31, 1989

	1989		1988		1987		1986	
	#	$	#	$	#	$	#	$
Applications Received	995	126,605,300	1144	150,611,800	1190	169,523,600	973	126,750,800
Authorizations Made	347	34,518,100	391	46,048,600	386	34,236,700	316	23,159,400
Average Amount		99,500		117,800		88,200		73,300
Median Amount		42,800		45,000		45,300		47,600
Authorizations by Size								
Under 50,000	195	4,116,100	218	4,642,600	214	4,271,500	166	3,291,600
50,001 to 100,000	53	4,022,600	74	4,714,100	71	5,397,900	80	5,784,700
100,001 to 200,000	61	8,749,200	66	9,333,900	71	10,456,500	50	7,109,700
200,001 to 500,000	25	7,505,200	31	8,668,000	22	6,070,800	17	5,083,400
Over 500,000	13	10,125,000	12	18,690,000	10	8,040,000	3	1,890,000
Authorizations by Purpose								
Establish New Business	79	3,049,000	81	8,509,200	105	4,003,100	79	3,049,600
Expand Existing Business	209	25,562,700	219	28,997,500	203	22,181,900	127	10,335,500
Purchase Existing Business	59	5,906,400	91	8,541,900	80	8,051,700	110	9,774,300
Authorizations by Region								
Northern Alberta	91	9,093,300	108	16,189,000	82	8,105,100	84	7,507,200
Central Alberta	71	5,094,100	75	7,938,000	72	5,081,600	55	4,560,000
Southern Alberta	59	4,304,200	61	4,288,100	109	8,797,500	77	6,997,000
Edmonton	64	9,075,500	73	9,504,000	50	3,261,700	38	2,077,900
Calgary	62	6,951,000	74	8,129,500	75	8,990,800	62	2,017,300

Total Authorizations by Region (To March 31, 1989)

Region	#	$
Northern Alberta	1274	142,272,500
Central Alberta	1029	110,463,900
Southern Alberta	1171	116,871,000
Edmonton	694	71,305,900
Calgary	800	81,015,300

AUDITOR'S REPORT

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

To the Board of Directors of the
Alberta Opportunity Company

I have examined the balance sheet of the Alberta Opportunity Company as at March 31, 1989 and the statements of revenue and expenses and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Company as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for a change in the method of recognizing revenue on loans receivable as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Donald D. Salmon

Edmonton, Alberta
May 12, 1989

FCA
Auditor General

BALANCE SHEET

March 31, 1989
(in thousands)

Assets	1989	1988
Cash	$ 6,314	$ 8,887
Accounts receivable	546	420
Property held for sale (Note 4)	4,711	5,539
Loans receivable (Note 5)	116,881	128,467
Venture investments (Note 6)	9,195	2,913
Fixed assets (Note 7)	573	248
	$138,220	$146,474

Liabilities and Accumulated Deficit		
Accounts payable and accrued expenses	$ 1,580	$ 1,711
Bank guarantees called	1,915	2,065
Long term debt (Note 8)	163,800	164,800
	167,295	168,576
Accumulated deficit (Note 9)	(29,075)	(22,102)
	$138,220	$146,474

Accepted on behalf of the Board:

W. Paul Lefaivre, Chairman

Roy W. Parker, President and Managing Director

The accompanying notes are part of these financial statements.

STATEMENT OF REVENUE AND EXPENSES

For the year ended March 31, 1989
(in thousands)

	1989	1988
Revenue:		
Interest	$14,832	$15,990
Grant from the Province of Alberta for the assistance of small business	11,869	11,795
	26,701	27,785
Expenses:		
Interest	15,801	15,534
Provision for doubtful accounts and loss on realization (Note 10)	9,675	7,708
Operations (Note 11)	8,128	7,114
Loss on property held for sale (Note 12)	70	274
	33,674	30,630
Net loss for the year	$(6,973)	$(2,845)

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended March 31, 1989
(in thousands)

	1989	1988
Cash provided by (used for):		
Operations		
Net loss for the year	$ (6,973)	$ (2,845)
Non-cash items:		
Provision for doubtful accounts and loss on realization	9,675	7,708
Depreciation and amortization	57	115
Bad debt recoveries	627	518
Property held for sale	1,216	184
Loans receivable:		
Disbursed	(27,443)	(28,016)
Repaid	33,447	24,876
Venture investments:		
Disbursed	(11,518)	(3,918)
Repaid	128	–
Other	(789)	(728)
	(1,573)	(2,106)
Financing		
Long term debt:		
Issued	85,000	48,000
Repaid	(86,000)	(38,800)
Promissory note:		
Repaid	–	(4,100)
Grant from the Province of Alberta	–	1,600
	(1,000)	6,700
Increase (decrease) during the year	(2,573)	4,594
Cash at beginning of year	8,887	4,293
Cash at end of year	$ 6,314	$ 8,887

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1989

Note 1 AUTHORITY

The Alberta Opportunity Company operates under the authority of the Alberta Opportunity Fund Act, Chapter A-34, Revised Statutes of Alberta 1980, as amended.

Note 2 SIGNIFICANT ACCOUNTING POLICIES

Property held for sale:

Property held for sale is valued at the lower of cost or net realizable value. Allowance for loss on realization is determined following a review of properties.

Loans receivable:

Loans are stated net of unearned revenue and allowance for doubtful accounts.

The provision for doubtful accounts is determined following a detailed review of the accounts and is based on the Company's historical experience.

Interest income is recorded on the accrual basis until such time as the loan is classified as non-accrual. Interest on non-accrual loans is recognized as revenue when received.

Venture investments:

Venture investments are recorded at cost less an allowance for loss on realization.

Provision for loss on realization of venture investments is determined following a detailed review of the investments and specific provisions are made for those investments known to be in difficulty. In the absence of historical experience, a general provision of 25% of the balance of the portfolio is recognized.

Interest and dividends on venture investments are recorded as income when received.

Fixed assets:

Equipment is valued at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis at rates of 15% and 20% per annum.

Leasehold improvements are valued at cost less accumulated amortization. Amortization is calculated over the remaining term of each lease.

Note 3 CHANGE IN ACCOUNTING POLICY

During the year, the Company prospectively changed its revenue recognition policy with regard to interest on certain loans receivable. The policy was changed from recognizing revenue on an accrual basis for all loans to recognizing revenue on an accrual basis until such time as the loan is classified as non-accrual. Revenue on non-accrual loans is recognized as it is received.

The effect of this change on the year ended March 31, 1989 was to decrease net income and loans receivable by $522,000.

Note 4 PROPERTY HELD FOR SALE (in thousands)

	1989	1988
Cost	$7,241	$8,457
Less: Allowance for loss on realization (Note 10)	2,530	2,918
	$4,711	$5,539

Note 5 LOANS RECEIVABLE (in thousands)

	1989	1988
Loans and accrued interest receivable	$131,327	$144,345
Less: Allowance for doubtful accounts (Note 10)	14,446	15,878
	$116,881	$128,467

Note 6 VENTURE INVESTMENTS (in thousands)

	1989	1988
Convertible debentures	$ 3,712	$ 2,918
Preferred shares	3,540	–
Common shares	5,306	1,000
Shareholder loans	150	–
	12,708	3,918
Less: Allowance for loss on realization (Note 10)	3,513	1,005
	$ 9,195	$ 2,913

Note 7 FIXED ASSETS (in thousands)

	Equipment	Leasehold Improvements	1989	1988
Cost	$1,007	$167	$1,174	$790
Less: Accumulated depreciation/amortization	458	143	601	542
	$ 549	$ 24	$ 573	$248

Note 8 LONG TERM DEBT (in thousands)

The following debenture debt series comprise debentures issued in varying amounts, rates of interest and maturity dates to the Province of Alberta and held by the Alberta Heritage Savings Trust Fund:

	Issued	Interest Rates	Maturity Dates	Balance Outstanding
Series C	$160,000	8.06% to 13.50%	June 15, 1989 to March 31, 1993	$ 88,800
Series D	50,000	11.28%	September 30, 1989 to March 31, 1997	50,000
Series E	25,000	11.28%	September 30, 1989 to March 31, 1997	25,000
	$235,000			$163,800

Principal repayments are scheduled as follows:
for the year ending March 31.

1990	$38,188	1994	$ 11,598
1991	31,905	1995	10,711
1992	25,906	1996	11,953
1993	20,200	1997	13,339
			$163,800

Note 9 ACCUMULATED DEFICIT (in thousands)

	1989	1988
Balance, beginning of year	$(22,102)	$(20,857)
Grant from the Province of Alberta	–	1,600
Net loss for the year	(6,973)	(2,845)
Balance, end of year	$(29,075)	$(22,102)

Note 10 PROVISIONS FOR DOUBTFUL ACCOUNTS AND LOSS ON REALIZATION (in thousands)

	Property held for sale	Loans receivable	Venture investments	1989	1988
Allowance, beginning of year	$2,918	$15,878	$1,005	$19,801	$17,808
Provision	(388)	4,955	5,108	9,675	7,708
Bad debt recoveries	–	627	–	627	518
Accounts written off	–	(7,014)	(2,600)	(9,614)	(6,233)
Allowance, end of year	$2,530	$14,446	$3,513	$20,489	$19,801

Note 11 OPERATIONS (in thousands)

	Loans	Venture	1989	1988
Salaries and benefits	$4,461	$419	$4,880	$4,314
Board of Directors fees	136	13	149	139
Legal and other fees	1,016	53	1,069	902
Communications	624	115	739	598
Other operating	1,131	160	1,291	1,161
	$7,368	$760	$8,128	$7,114

Note 12 LOSS ON PROPERTY HELD FOR SALE (in thousands)

The loss represents the net operating results and disposals on businesses and properties being managed until sold. These were acquired from borrowers whose businesses defaulted on loans.

	Operating Results	Disposals	1989	1988
Revenue/sale proceeds	$2,642	$2,240	$4,882	$5,281
Expenses/acquisition costs	2,359	2,593	4,952	5,555
Net income (loss) for the year	$ 283	$ (353)	$ (70)	$ (274)

Note 13 CONTINGENT LIABILITIES (in thousands)

Guarantees of bank loans:

The Company is contingently liable as a guarantor of bank loans aggregating $786 ($998 - 1988).

Legal actions:

There are fifty two claims totalling approximately $37,265 (fifty five claims totalling approximately $37,135 - 1988) against the Company. The Company considers that a valid defense exists in each instance and no material loss is anticipated.

Note 14 COMMITMENTS (in thousands)

Authorizations undisbursed:

	1989	1988
Loans	$ 14,367	$ 17,254
Guarantees	375	25
Venture investments	4,500	7,613
	$ 19,242	$ 24,892

Note 15 COMPARATIVE FIGURES

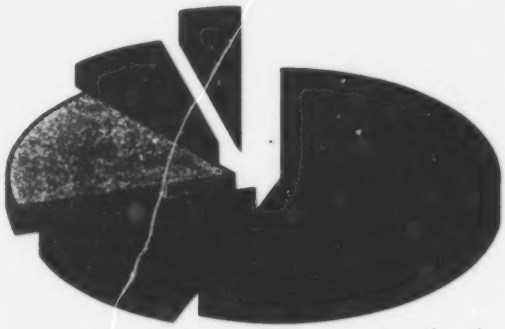
The 1988 figures have been reclassified where necessary to conform to 1989 presentation.

LOANS, GUARANTEES & VENTURE INVESTMENTS

1989 Authorizations, By Size

56% of new authorizations were under $50,000. 4% were over $500,000.

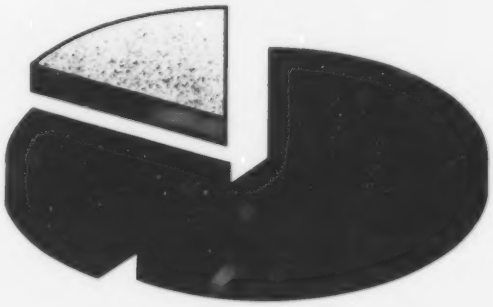
▲ Under 50,000	56%
▲ 50,001 to 100,000	15%
△ 100,001 to 200,000	18%
▲ 200,001 to 500,000	7%
▲ Over 500,000	4%



1989 Authorizations, By Purpose

60% of new authorizations were provided for expansion, 23% to start new businesses and 17% to purchase enterprises.

▲ New Business	23%
▲ Expansion	60%
△ Business Purchase	17%



1989 Authorizations, By Region

New authorizations were geographically located as follows:

▲ Northern Alberta	26%
▲ Central Alberta	21%
▲ Southern Alberta	17%
▲ Edmonton	18%
▲ Calgary	18%